

**TITLE 312 NATURAL RESOURCES COMMISSION****Economic Impact Statement**

LSA Document #12-514

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses****Estimated Number of Small Businesses Subject to this Rule:**

Several small businesses in Indiana will be impacted by the proposed rule. Types of small businesses subject to this rule include: Nurseries, Sawmills (Primary), Campgrounds, Firewood Producers/Retailers, Moving Companies, Recreational Vehicle (RV) Manufacturers and Retailers, Boat Retailers, Mobile Home Manufacturers and Retailers, Mobile Home Transporters, and Certified Pesticide Applicators. There are estimated to be 121 businesses in St. Joseph County and 77 businesses in LaPorte County that may be impacted by this rule. Table B-1 lists the number of businesses by county and business type impacted by the rule.

**Table B-1: Impacted Small Businesses by County and Type of Business**

County	Nursery	Sawmill	Campground	Moving Companies	RV Industry	Boat Sales	Mobile Home Industry	Mobile Home Transporters	Certified Pesticide Applicator	Firewood Dealer	Total
St. Joseph	23	1	3	40	6	5	13	4	14	12	121
LaPorte	17	1	2	30	3	3	0	4	14	3	77

**Estimated Average Annual Reporting, Record Keeping, and Other Administrative Costs Small Businesses Will Incur for Compliance:**

In order to move regulated material from these or other quarantined counties, the small business will need to apply for and have in place compliance agreements with the Department of Natural Resources Division of Entomology and Plant Pathology (DNR) or USDA Animal Plant Health Inspection Service Plant Protection and Quarantine (USDA APHIS PPQ) and may have to obtain certificates and limited permits of inspection. Though the compliance agreement will be created and processed by the DNR or USDA APHIS PPQ, the small business owner will need to initiate the process by applying for and meeting guidelines set by the compliance agreement. It is estimated that each business will incur a cost of 0.5 man days (or four hours) to complete the paperwork to initiate a compliance agreement. Assuming that the average employee earns fifteen dollars (\$15) per hour, the estimated annual cost to initiate a compliance agreement is sixty dollars (\$60) per year.

Nurseries will require a compliance agreement. They will need to send a copy of their compliance agreement with each shipment they send out of the quarantine counties. There is no anticipated cost for the nurseries to attach a copy of the compliance agreement as each nursery is inspected annually by the DNR for their nursery license per [IC 14-24-5](#) (Table B-2).

Sawmills will need to obtain a compliance agreement with USDA APHIS PPQ. This will require a two hour training session on Accurate Statements. This training will need to be completed every year. Each shipment leaving the quarantined area will need to have an Accurate Statement attached to the way bill or other shipping documents. A copy of the Accurate Statement must also be sent to the USDA APHIS PPQ for each shipment. To maintain and manage records, it is estimated that 0.5 (1/2) man hours per shipment is required. The estimated number of man days for each Sawmill to maintain all of the proper records within the business is 0.5 man days (or four hours) per month. Assuming that the average employee earns fifteen dollars (\$15) per hour, the annual reporting, record keeping and training costs to each sawmill would be \$750 per year (Table B-2).

Certified pesticide applicators may obtain a compliance agreement with the USDA APHIS PPQ to perform inspections and prepare inspection documents for businesses and private citizens. The administrative costs associated with the compliance agreement are estimated to be the same as for sawmills. In addition, the expense for the certified pesticide applicator to obtain a compliance agreement will be offset by a means to provide services and generate business revenue (Table B-2).

Campgrounds (private and public) will not need compliance agreements. Regulated material brought in to the campgrounds will be the property of the campers and not the campground. It will be the responsibility of the campers to make sure they are not violating this quarantine. Thus, there is no anticipated record keeping or administrative cost for campgrounds (Table B-2).

Firewood Producers and Dealers, and Boat Retailers that deliver material outside the quarantined county will need a compliance agreement. The administrative costs associated with the compliance agreement are estimated to be the same as the Sawmills (Table B-2).

Mobile Home and RV Manufacturers, Retailers, and Transport companies also need to obtain a compliance agreement with USDA APHIS PPQ for Accurate Statements. However, they receive a rubber stamp with their compliance number for all of their paperwork. The estimated administrative costs are the same as for Sawmills (Table B-2).

Moving Companies will not need a compliance agreement. It is the responsibility of the customer to make

sure their possessions are not harboring gypsy moth life stages. Thus, there is no anticipated record keeping or administrative cost for moving companies (Table B-2).

**Table B-2: Estimated Average Annual Administrative Cost for Gypsy Moth Quarantine Compliance by Small Business Type.**

Small Business Type: Assumptions for administrative Costs.	Annual Average Administrative Costs:
<b>Nursery Industry:</b> Compliance Agreement set up / year.	\$60
<b>Sawmills:</b> Compliance agreement set up / year + Maintenance/ management of records = 0.5 man days/month.	\$810
<b>Campgrounds:</b> No administrative costs.	\$0
<b>Firewood Producer / Dealers:</b> Compliance agreement set up / year + Maintenance/ management of records = 0.5 man days/month.	\$810
<b>Moving Companies:</b> No administrative costs.	\$0
<b>RV Industry:</b> Compliance agreement set up / year + Maintenance/ management of records = 0.5 man days/month	\$810
<b>Mobile Home Industry:</b> Compliance agreement set up / year + Maintenance/ management of records = 0.5 man days/month	\$810
<b>Boat Retailers:</b> Compliance agreement set up / year + Maintenance/ management of records = 0.5 man days/month	\$810
<b>Certified Pesticide Applicator:</b> Compliance agreement set up / year + Maintenance/ management of records = 0.5 man days/month	\$810

**Estimated Total Annual Economic Impact on Small Businesses to Comply:**

Nurseries in quarantined counties will only be impacted if they ship outside of the quarantined areas. If they plan to ship outside the area, they need to contact the DNR nursery inspector for their business. The inspector will conduct a Gypsy Moth egg mass survey of the nursery and surrounding area. If no egg masses are found, they can ship with just the compliance agreement. The inspection does not incur additional cost to the small business and attaching a copy of the compliance agreement or phytosanitary certificate will not incur additional cost to the business. State phytosanitary certificates are provided to licensed nurseries at no charge. If egg masses are found in the nursery or the surrounding area, the entire nursery needs to be treated with an appropriate insecticide prior to shipment.

The average nursery in Indiana is 13 acres. The average cost of treatment per nursery is six hundred dollars (\$600) for chemicals and one man day for applying the chemical. Assuming the average worker earns fifteen dollars (\$15) per hour, the total labor cost would be one hundred twenty dollars (\$120). The total average treatment cost for the year would be seven hundred twenty dollars (\$720).

The economic impact on Sawmills will be minimal. In order to follow the compliance agreement, they need to inspect each load before it is shipped. If any life stage of Gypsy Moth is found, it needs to be removed from the shipment. This additional inspection should average 0.25 man days per shipment. Based on compliance agreements in current Gypsy moth quarantine areas, the average sawmill will send 10 shipments per month. Assuming the average worker earns fifteen dollars (\$15) per hour, the average annual cost for sawmills would be three thousand six hundred dollars (\$3,600).

Certified Pesticide Applicators will need a compliance agreement from the USDA APHIS PPQ if they chose to provide gypsy moth inspection services. They would be required to incur the cost of the annual training of two hours per employee trained and the cost of maintaining records required by the compliance agreement. This cost would be similar to the estimated cost for sawmills, at three thousand six hundred dollars (\$3,600) per year. This cost would also be offset by the revenue generated by providing inspections for citizens and other businesses and is estimated to be a positive impact to the business.

Boat Retailers, the Mobile Home Industry and the RV Industry will also see a small economic impact from this rule. They will need a USDA APHIS PPQ compliance agreement and their annual fees will be similar to sawmills, at three thousand six hundred dollars (\$3,600) per year. They will need to inspect each shipment leaving the quarantined counties for any gypsy moth life stage. After the inspection, they will need to stamp all of the paperwork with their compliance agreement number. The stamp will be provided by the USDA.

Firewood Producers and Dealers will only need a compliance agreement if they are moving firewood outside the quarantined area. A compliance agreement would require inspection of the material before it is moved out of quarantined counties. The economic impact is estimated to be minimal.

Campgrounds and Moving companies are not anticipated to have an economic impact from a loss of business due to the quarantine. There is no administrative economic impact from this rule. It is the responsibility of the campers and customers to ensure they are not moving any life stage of gypsy moth.

The total potential economic impact to small businesses in the proposed quarantined area is \$281,040, Table

**Table B-3: Estimated Economic Impact to All Small Businesses in the Proposed Quarantined Area**

Types of Business	Total # Small Business with Potential Impact in Counties/Townships Proposed for Quarantine	Annual Cost per Small Business	Total
Nurseries	40	\$780	\$31,200
Sawmills	2	\$4,410	\$8,820
Campgrounds (1)	5	\$0	\$0
Moving Companies (1)	70	\$0	\$0
RV Industry	9	\$4,410	\$39,690
Boat Retailer	8	\$4,410	\$35,280
Mobile Home Industry	21	\$4,410	\$92,610
Certified Pesticide Applicator (2)	14	\$4,410	\$61,740
Firewood Dealer / Producers	15	\$780	\$11,700
<b>Total</b>	<b>184</b>		<b>\$281,040</b>

(1) Responsibility of the citizen and/or camper to comply with the quarantine.

(2) This expense would be offset by revenue generated for inspection services provided to customers (businesses and citizens).

#### **Justification Statement of Requirement or Cost:**

There are currently seven counties quarantined for gypsy moth in Indiana. In 2008, the value of shipments from the timber industry in Indiana was eight billion dollars. Gypsy moth will feed on 80% of trees in Indiana's forest. By imposing this rule, the artificial spread of this pest can be slowed. Counties that do not currently have a heavy infestation of gypsy moth can be saved from the potential damage to their forest resources. By managing the artificial spread to nonquarantined counties, the existing stands of trees will continue to be utilized and the timber industry will be allowed to continue to support this fraction of the economy in Indiana.

#### **Regulatory Flexibility Analysis of Alternative Methods:**

(A) Less stringent compliance or reporting requirements: The compliance agreements are developed for each business with the intent to fit the requirements to each business operation to have minimal operational and economic impact but at the same time meet the biological needs of the rule. Thus, compliance agreements are made as flexible as biologically possible.

(B) Less stringent schedules or deadlines for compliance or reporting requirements: The schedules and deadlines for compliance and reporting are set at the least stringent schedule for small businesses and regulatory needs.

(C) The consolidation or simplification of compliance or reporting requirements: The state quarantine area is also the boundary of the federal quarantine. Without implementing this rule the federal quarantine boundary would encompass the entire state. The adoption of the federal quarantine within the few counties that are generally infested by DNR prevents the impact of the federal quarantine to businesses in counties without gypsy moth. The USDA APHIS PPQ and DNR work together to administer the quarantine. USDA APHIS PPQ will take the lead for all compliance and reporting requirements. The DNR recognizes compliance agreements issued by USDA APHIS PPQ and does not duplicate this effort.

(D) Establishment of performance standards: The quarantine establishes performance standards to meet biological needs to manage gypsy moth. The standards are adapted to each small business' operational aspects to minimize impact to business but at the same time meet biological needs.

(E) Exemption of small businesses from part or all of the requirements or costs: Each business operation is analyzed for the need to comply. Through analysis, it may be determined that a particular small business does not move regulated material outside the quarantine area. In this situation, the business does not need to meet the requirements of the quarantine and thus has no impact. Analysis of the business is conducted upon request by DNR or USDA APHIS PPQ at no cost to the business.

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